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FISCAL IMPACT STATEMENT

LS 7034

BILL NUMBER: SB 382

NOTE PREPARED: Jan 7, 2006

BILL AMENDED:

SUBJECT: Vanderburgh County Air Commerce Development.

FIRST AUTHOR: Sen. Becker

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill establishes the Vanderburgh County regional air commerce development authority (authority). It permits the authority to establish an air commerce park in the county.

The bill permits the authority to designate the air commerce park as an allocation area for the purposes of property tax increment financing (TIF). It also provides that increased revenue from local option income taxes paid by persons employed in the air commerce park (in excess of the amount of those taxes paid before establishment of the park) is to be paid to the authority for use in the development and financing of certain projects in, serving, or benefiting the air commerce park. The bill authorizes the authority to issue bonds.

This bill establishes a tax credit against the state Adjusted Gross Income Tax, the Financial Institutions Tax, the Insurance Premiums Tax, and local option income taxes for investments made for the development, redevelopment, or rehabilitation of property in the air commerce park.

Effective Date: Upon passage.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit for investment in the Vanderburgh County Air Commerce Park. The Department's current level of resources should be sufficient to implement this change.

Indiana Economic Development Corporation (IEDC): The IEDC is required to approve tax credits for qualified investment in the Vanderburgh County Air Commerce Park. The IEDC's current level of resources

should be sufficient to fulfill this administrative task. The December 5, 2005, state staffing table indicates that the IEDC had 39 vacant full-time positions, including one regional office position.

Explanation of State Revenues: *Air Commerce Park Investment Credit:* The bill establishes a nonrefundable tax credit for qualified investment in the Vanderburgh County Air Commerce Park. The tax credit is effective beginning in tax year 2006. The bill requires credits to be approved by the IEDC, allows for the assignment of tax credits to certain taxpayers, and does not provide for a monetary limit on credits that may be awarded. The potential amount of credits that could be awarded is indeterminable. The net revenue impact depends on the extent that tax collections on new employees or additional taxable activities attributable to the creditable investment in the air commerce park deviates from the credit amounts received by taxpayers for this investment. However, if the qualified investment would have occurred in the absence of the credit, the net impact would be the total credits claimed by these taxpayers. Any resultant fiscal impact due to the bill presumably would not begin before FY 2007, depending upon how quickly the air commerce park is established and investment begins in the park.

Background: The nonrefundable tax credit is equal to 25% of the "qualified investment" a taxpayer makes during the taxable year in the air commerce park. The tax credit may be claimed against a taxpayer's liability under the Adjusted Gross Income (AGI) Tax, Financial Institutions Tax, Insurance Premium Tax, or COIT, CAGIT, and CEDIT. Qualified investment is expenditures for development, redevelopment, or rehabilitation of property located within the air commerce park that are made under a plan adopted by the Vanderburgh County Regional Air Commerce Development Authority (established by the bill) and approved by the IEDC. The tax credit may be claimed by individuals, corporations, and pass through entities. For pass through entities, the credit may be claimed by shareholders, partners, or members in proportion to their distributive income from the pass through entity. The credit is not refundable. A taxpayer may carry over excess tax credits to subsequent taxable years, but excess tax credits may not be carried back. The bill also allows taxpayers to assign any part of a tax credit to a lessee of property located in the air commerce park and in which the taxpayer made qualified investment.

Revenue from the corporate AGI Tax, the Financial Institutions Tax, and the Insurance Premiums Tax is distributed to the state General Fund. The revenue from the individual AGI Tax is deposited in the state General Fund (86%) and the Property Tax Replacement Fund (14%).

Explanation of Local Expenditures: The bill provides for the establishment of the Vanderburgh County Air Commerce Development Authority to develop, acquire, construct, renovate, improve, and finance projects in or benefitting the air commerce park. The bill allows the Authority to designate the air commerce park on 2,400 acres of land northeast of the Evansville Regional Airport. The Authority would designate the geographic area of the park and promote development of the park. The park may include areas that are part of an economic development area, a blighted area, an urban renewal area, a CRED, or a certified technology park only with the consent of the entity that established the area.

The Development Authority would be governed by a board of directors comprised of:

- The members of the airport authority;
- The Mayor of Evansville;
- The Vanderburgh County Council President; and
- A county resident appointed by the Governor;

The bill provides the Authority with various powers to develop the property, including the power to own, use,

lease, rent, purchase, acquire, and dispose of property in the park; employ personnel; enter into contracts to carry out the responsibilities of the Authority; provide financial assistance for development purposes; and accept loans and other financial assistance from the federal government, the state, and local governments, and private sources. The bill also permits the Authority to issue bonds to pay for projects in the park. The bill permits the Authority to pay the bonds with incremental local income tax, incremental property taxes allocated to the Authority, or other revenue obtained by the Authority.

Explanation of Local Revenues: The Development Authority could designate the park as an allocation area. In the allocation area, taxes paid on the property AV which is over and above the base AV would be captured and allocated to the Authority. The base AV includes the AV on the assessment date immediately prior to the effective date of the resolution creating the allocation area plus the AV of all residential property first assessed after the resolution date. (Note: See discussion below on allocation area impacts.) The bill allows the Authority to issue bonds for up to 50 years to be paid from revenue available to the Authority.

The Development Authority may capture incremental local option income taxes (CAGIT, COIT, and CEDIT) annually generated within the park. There is no monetary limit on the income tax capture. Captured local income tax revenue would be deposited by the State Treasurer into the Incremental Tax Financing Fund for distribution to the Development Authority

The Development Authority must establish an Air Commerce Park Allocation Fund. Allocated property taxes and incremental income taxes would be transferred to this fund. Money in the Fund may be used: (A) to acquire, improve, prepare, demolish, dispose of, construct, restore, preserve, maintain, repair, furnish, and equip projects; and (B) to service bonds.

Allocation Area Impacts: An allocation area does not affect total tax revenue to local civil taxing units and school corporations, except for cumulative funds, since AV growth does not generate more tax levy for these entities. The cumulative funds, however, receive less tax levy growth than would otherwise be the case due to allocation areas, since they have set tax rates that would generate more tax levy from AV growth.

If there is an increase in development because of the use of TIF, the new property would, at some point, be placed on the tax rolls. However, if one assumes that the investment would be made independent of TIF, the delay in the property being placed on the tax rolls results in a delay of the property tax burden shift from all taxpayers to the owners of the new property until the property is placed on the tax rolls.

State Agencies Affected: Department of State Revenue; Indiana Economic Development Corporation; State Treasurer.

Local Agencies Affected: Vanderburgh County Airport Authority; Vanderburgh County; City of Evansville; Taxing units that serve the area.

Information Sources:

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